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MONTANA DEPARTMENT OF JUSTICE
GAMBLING CONTROL DIVISION

Biennial Report
Fiscal Years 2005 and 2006

AND

Report of the
2005-2006 Gaming Advisory Council
December 2006

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MONTANA DEPARTMENT OF JUSTICE

GAMBLING CONTROL DIVISION

2550 Prospect Avenue
PO Box 201424
Helena MT 59620
Telephone: (406) 444-1971
Fax: (406)444-9157
Web site - www.doj.mt.gov

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Public Policy of Montana Concerning Gambling

MCA-23-5-110. Public policy of state concerning gambling.

(1) The legislature finds that for the purpose of ensuring the proper gambling environment in this state it is necessary and desirable to adopt a public policy regarding public gambling activities in Montana. The legislature therefore declares it is necessary to:

(a) create and maintain a uniform regulatory climate that assures players, owners, tourists, citizens, and others that the gambling industry in this state is fair and is not influenced by corrupt persons, organizations, or practices;

(b) protect legal public gambling activities from unscrupulous players and vendors and detrimental influences;

(c) protect the public from unscrupulous proprietors and operators of gambling establishments, games, and devices;

(d) protect the state and local governments from those who would conduct illegal gambling activities that deprive those governments of their tax revenues;

(e) protect the health, safety, and welfare of all citizens of this state, including those who do not gamble, by regulating gambling activities; and

(f) promote programs necessary to provide assistance to those who are adversely affected by legalized gambling, including compulsive gamblers and their families.

(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other department approval granted pursuant to the provisions of parts 1 through 8 of this chapter is a privilege revocable only for good cause. A holder does not acquire a vested right in the license or permit issued or other department approval granted. A license or permit issued under parts 1 through 8 of this chapter may not be sold, assigned, leased, or transferred.

(3) Revenue to fund the expense of administration and control of gambling as regulated by parts 1 through 8 of this chapter must be derived solely from fees, taxes, and penalties on gambling activities, except the gambling activities of the Montana state lottery and the parimutuel industry.

23-5-11. Construction and application.

In view of Article III, section 9, of the Montana constitution, parts 1 through 8 of this chapter must be strictly construed by the department and the courts to allow only those types of gambling and gambling activity that are specifically and clearly allowed by those parts.

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Executive Summary

The Gambling Control Division (GCD) of the Department of Justice was created in 1989 to provide uniform enforcement of gambling activity. This executive summary highlights the division's activities in 2005 and 2006.

Development of GenTax Data Base – The 2005 Legislature authorized the Gambling Control Division to replace the old data base that it shared with the liquor licensing function of the Department of Revenue. The new database will utilize the GenTax software that was selected by the Department of Revenue for the IRIS system. The new database will piggyback on the Department of Revenue database and allow the liquor and gambling license functions to remain integrated.

The contract with FAST Systems to develop the database was signed in December 2005 and the main components of the gambling and liquor portion of the database will be complete in December 2006. The components that provide for licensing and permitting of video gambling machines have been completed and implemented. The portion of the system that will provide for electronic payment of video gambling taxes and online permitting of video gambling machines will be completed in December 2006. Video gambling machine operators will be able to report and pay video gambling machine income tax on line for the quarter beginning April 1, 2007. As of the date of this report the project has been on time and on budget.

Preparing for an online business environment has led to changes in Gambling Control Division policies and procedures. No longer will gambling machines receive annual permit decals but rather each machine will receive a lifetime identification number and permanent decal. Video gambling machine taxes will be calculated on the electronic meter reading rather than mechanical meter readings. The period of time that operators are required to keep records will be reduced from 3 years to 2 years and for operators who utilize an intelligent accounting and reporting system the requirement will be reduced to 1 year.

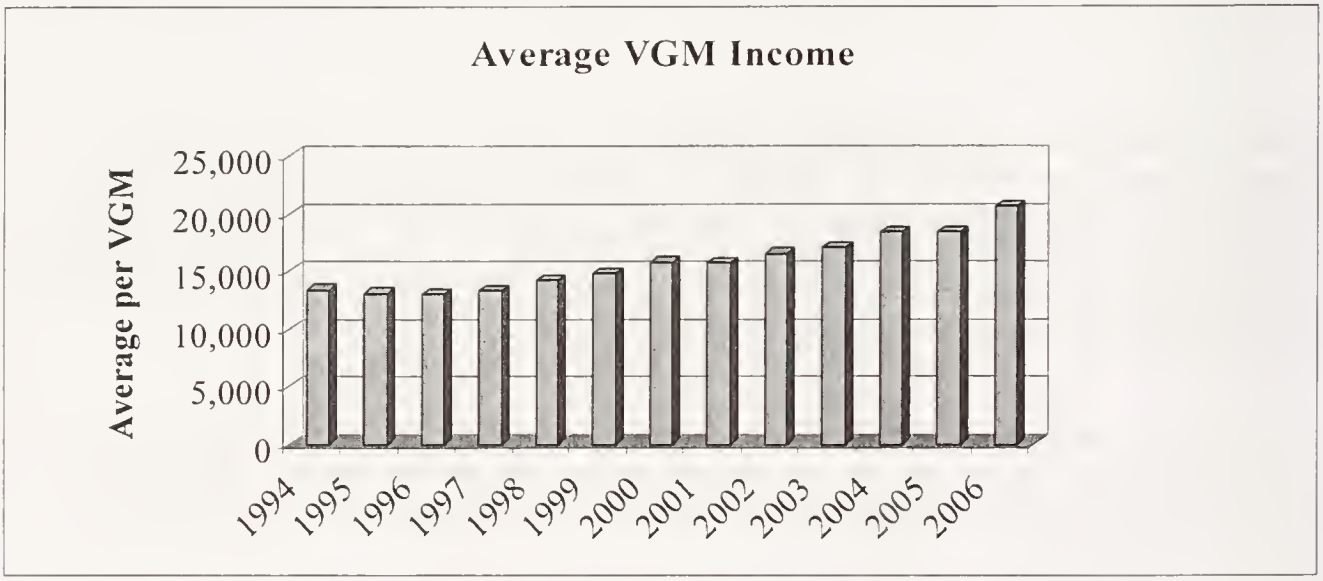
Growth in Card Games - The popularity of the game of Texas Hold'em has created new life for Montana's poker games. The number of card dealers licensed has increased from 208 in fiscal year 2003 to 901 in fiscal year 2006. The number of licensed card tables has increased from 163 in fiscal 2003 to 491 in fiscal year 2006. The fees collected for licensing dealers and card tables fall short of the costs of issuing licenses and permits. The growth in card game activity has created new enforcement issues that stretch the resources of the Gambling Control Division.

The Gaming Advisory Council appointed a subcommittee that has worked over the past two years to prepare legislation to revise the laws regulating card games. The Gaming Advisory Council has recomended changes in the licensing of dealers, regulation of social card games and the way card tournaments are regulated.

Regulation of Credit Cards – In 2005 the Gambling Control Division became aware of practices related to the use of credit cards to obtain money for gambling that appeared to be contrary to the statutory prohibition of credit gambling. As a result of credit card transactions not being honored by the credit card issuer, gamblers were finding themselves owing money to gambling operators. To remedy this situation the Division adopted new rules that clarified the definition of credit gambling to include practices that violate the agreement between the gambling operator and the credit card issuer or merchant bank. The new rules also prohibit practices designed to circumvent credit card company restrictions on the use of credit cards for gambling. In addition to the new rules the Division will distribute educational materials to gambling operators and their employees explaining what credit card transactions and check cashing transactions are considered credit gambling.

Elimination of Tax Audit Backlog – In 2004 Gambling Control Division staff began a project to keep a continuous record of video gambling machine meter readings in the database. The project required several months of staff time inputting old tax report readings into the database. Additional staff resources were also allocated to processing the backlog of desk audits. As a result a good part of the analysis of each quarterly tax report could be performed on the database and errors are detected more efficiently. The result has been dramatic. In the past gambling operators would often be contacted about taxes that they had filed 3 years before. This delay was caused in part by errors not being recognized as quickly and more hands on analysis being required to determine if there was an error. The Division expects to become current in its tax audits by the end of calendar year 2006. This means that operators will only be dealing with problems from the most recent quarter rather than having to locate records from previous years.

Gambling Revenue - Video gambling machine tax revenues continued to show growth during fiscal years 2005 and 2006. Gross machine income increased 6.6% in fiscal year 2005 and 6.6% in fiscal year 2006.



A Short History of Gambling in Montana

Montana's 1889 Constitution made all forms of gambling illegal. However, illegal gambling always existed in some local jurisdictions. In the 1930s and 1940s, the legislature legalized certain limited forms of gambling. The 1949 Legislature and the attorney general declared a "law enforcement emergency" to crack down on illegal gambling. In 1950, the State Supreme Court ruled that slot machines and punchboards were illegal under the state Constitution.

In 1972, Montana voters approved a new Constitution that allowed the legislature to approve specific gambling activities. The 1973 Legislature legalized bingo, raffles, card games and sports pools. In 1976, the State Supreme Court ruled that video keno was a form of bingo, which marked the beginning of video gambling. The legislature added video poker to keno in 1985 and, in 1986, voters approved a state lottery. The legislature enacted a 15% tax on video gambling machines in 1987.

Prior to 1989, responsibility for regulating most forms of gambling in Montana rested with local governments. This decentralized system resulted in an inconsistent application of the law regarding gambling activities in the state. Some cities and counties vigorously controlled gaming within their boundaries while other jurisdictions took a more relaxed stance. A consistent approach to gambling regulation was nonexistent.

The 1989 Legislature centralized gambling regulation under the Department of Justice. Statutory duties assigned to the department included adopting administrative rules, licensing gambling providers and activities, collecting and distributing gambling taxes, testing and approving video gambling machines, and enforcing gambling laws. The attorney general, as head of the department, created the Gambling Control Division to assume these duties. The Lottery and Board of Horseracing are not under the control of the division.

Over the past decade, efforts have been made to develop a central automated accounting system for video gambling machines. The 1999 Legislature authorized an automated accounting and reporting system, however, the Gambling Control Division was unable to obtain bids from companies qualified to develop the system. In 2000 the Division negotiated a contract with a Nevada company to develop a system. No system was delivered and after several years of litigation the company declared bankruptcy. The 2005 Legislature authorized the development of a new database that would allow gambling operators to report taxes over the internet. The new database is being developed as a part of the Department of Revenue GenTax system and electronic tax reporting, video gambling machine permitting, and tax payment will begin in the first months of 2007.

Types of Gambling Under Division Jurisdiction

The Gambling Control Division's jurisdiction extends to all forms of gambling except the Montana Lottery and horse racing. [1] The following sections describe the games regulated by the division.

Video Gambling Machines. A video gambling machine is an electronic gambling device that, when a player inserts cash, plays poker, keno or bingo. The machines use a video display and microprocessors and, by the skill of the player, by chance, or both, the player may win free games or credits that may be redeemed for cash.

Live Card Games. Montana law authorizes 10 card games: bridge, cribbage, hearts, panguingue, pinochle, pitch, poker, rummy, solo and whist. These are non-banking card games in which players bet against and settle with each other, rather than betting against and settling with the house. Banked card games such as blackjack are prohibited by law.

Live Bingo. Live bingo is played on a card bearing a printed design of five columns of five squares each. The letters B-I-N-G-O must appear above the design, with each letter above one of the columns. No more than 75 numbers may be used. One number must appear in each square, except for the center square, which may be considered a free play. Numbers are randomly drawn using authorized equipment until the game is won by the person or people who first cover a previously designated arrangement of numbers on the bingo card.

Live Keno. Live keno is played with a card containing eight horizontal rows and 10 columns on which a player may pick up to 10 numbers. A keno caller, using authorized equipment, selects at random at least 20 numbers out of the numbers between one and 80, inclusive. A player may win prizes by matching some or all of the numbers selected.

Sports Pools. In a sports pool, a participant wagers money for a chance to win cash or other prizes based on the outcome of a sports event or series of sports events in which the competitors are people or animals. Legal variations of sports pools include: traditional, series, multiple way, selected point, blackout, weekly sweepstakes , and multiple competitor sports pools.

Sports Tab Games. A sports tab game is conducted on a card with 100 sports tabs attached.[2] Each tab has a pair of numbers. A person may purchase a sports tab from the card for a chance to win cash or other prizes based on the outcome of a sports event. Winners are determined by matching the appropriate numbers on a participant's sports tab with the only or last digit of the competitor's score at the end of the sports event or, if designed before the event by the game's sponsor, at intervals during the event.

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[1] The Montana Lottery and horse racing are under the jurisdiction of the Montana Lottery Commission and the Board of Horse Racing, respectively.

[2] A sports tab is a folded or banded ticket with a face covered to conceal a combination of two numbers, with each number ranging from zero through nine.

Raffles. In a raffle, a participant purchases a ticket for a chance to win a prize through a random selection process. Raffles are regulated by the county commission in the county where the raffle is conducted.

Calcutta Pools. A Calcutta pool is a form of auction pool conducted in conjunction with an event involving more than two competitors. Participants in the pool bid on the event's competitors, and a participant's wager is equal to his or her bid. The highest bid "purchases" the competitor, and the prizes are divided among participants according to a competitor's performance in the event. A portion of the proceeds from a calcutta may be used to cover administrative expenses, pay prizes or for a charitable cause.

Casino Nights. A casino night is a fund-raising event conducted by a nonprofit organization. Wagers are made in certain gambling activities using imitation money. Only live card games that are legal in the state, live bingo, live keno, and raffles may be conducted during a casino night.

Fantasy Sports Leagues. A limited number of people or groups pay an entrance fee for membership in a fantasy sports league. Each league member creates a fictitious team composed of athletes from a given professional sport. Each team then competes against the other teams in the league. Points are awarded to a team according to the performance of individual players or teams or both during a designated time period. A member may be eligible to receive a payout, which may be in cash or merchandise, based on the number of points accumulated.

Shake-a-Day. Once each day, a customer may wager an amount of money, not to exceed 50 cents, and shake a number of dice in an attempt to roll a certain combination simulating a poker hand predetermined by the establishment. If the combination is rolled, the customer wins all the money paid to play the game since the last winning combination was rolled.

Shaking for Drinks or Music. A customer shakes or chooses one or more dice, alone or with an owner or employee of an establishment, to determine whether the customer or the establishment will pay for the customer's drink or pay a predetermined amount of money, not to exceed $2, for music from a jukebox.

Fishing Derbies. Two or more people pay for an opportunity to win a prize for the species, size, weight or otherwise specified of fish caught in a fishing event.

Wagering on Natural Occurrences. People pay for an opportunity to win a prize by most accurately predicting the date and time of an event resulting from an activity related to the weather or climate.

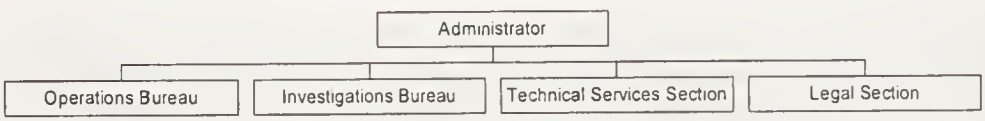
Most of the division's staff and resources are dedicated to regulating and taxing video gambling machines. The division also is responsible for investigating applicants for liquor and gambling licenses and any related illegal activity. Liquor licenses account for half of the work of the licensing and investigation staff. The division was authorized 44.5 full time equivalent staff for fiscal year 2006.

PROGRAM INDICATORS

The following table sets out the program indicators as presented in the Executive Budget for the 2008 Biennium.

	FY 2004	FY 2005	FY 2006	FY 2007 (estimated)
VGM Tax Collected	$50.1M	$53.4M	$56.9M	$59.1M
Gambling Permits Issued	20,510	20,853	21,445	21,500
Liquor/Gambling Investigations	926	1,320	1,206	1,200

The following chart indicates the organizational structure of the Gambling Control Division:



The Division Administrator manages the division's overall operations. In addition to management responsibility, the Administrator supports state negotiations related to tribal gaming compacts and the activities of the Gaming Advisory Council.

OPERATIONS BUREAU

The Operations Bureau is responsible for most of the centralized functions of licensing operators as well as collecting and auditing taxes. In addition, the Operations Bureau is responsible for financial analysts in the field who assist in evaluating license applications and investigations.

The License and Tax Section provides the following services:

- processes and issues gambling licenses and permits, including video gambling machine permits;
- collects and distributes license and permit fees;
- maintains all license records;
- collects gambling taxes, fines and penalties; and
- processes machine service forms and tracks machine movement in the state.

The Audit Section consists of revenue agents located in Missoula, Billings, Great Falls and Helena. The Audit Section provides the following services:

- assists in licensing applicants by conducting financial background reviews;
- conducts field tax audits; and
- provides support to the Investigation Bureau in interpreting and analyzing documents related to suspected illegal gambling activities.

Investigations Bureau

The Gambling Investigation Bureau consists of seven field offices, which are organized into two regions, each managed by a regional supervisor. Field offices are located in Kalispell, Missoula, Glasgow, Great Falls, Billings and Bozeman.

The responsibilities of the Investigation Bureau include:

- investigating illegal gambling activity;
- investigating video gambling machine tampering, theft and burglary;
- conducting background checks of applicants for a gambling or liquor license;
- conducting investigations of alleged violations of state gambling and liquor statutes, and administrative rules;
- conducting routine inspections of licensed establishments;
- inspecting proposed gambling establishments;
- evaluating variations of legal gambling activities submitted for approval, and
- providing local law enforcement training.

During fiscal year 2006, the Investigations Bureau added two investigator positions to provide for law enforcement related to collection of tobacco taxes.

Technical Services Section

Technical Services Section personnel are based in Helena with the exception of two Machine Inspectors in Billings and Missoula. The Technical Services Section serves as the primary technical resource for approving and testing video gambling machines. Major responsibilities of the Technical Services Section include:

- testing video gambling software and hardware to be licensed for sale;
- testing, of automated accounting systems;
- support of the GCD data base for gambling and liquor licenses;
- video gambling machine field testing and inspection, and tracking the movement of illegal machines in and out of the state.

Legal Services

One attorney is assigned to the Gambling Control Division but is administratively attached to the Office of the Attorney General. A division secretary provides clerical assistance. The attorney's focus is primarily on administrative action against licensees who violate Montana's gambling laws and rules, and on representing the division in administrative proceedings. In addition, the division attorney may assist local county attorneys with gambling-related cases that fall within local jurisdictions. If county attorneys decline prosecution of a criminal case, the division attorney may prosecute the case.

Gambling Revenue and Permit Fees

Video Gambling Machine Gross Income Tax – The Video Gambling Machine Gross Income Tax is the most significant source of gambling revenue. This tax is applied to the income from keno and poker video gambling machines. Gross machine income is the total receipts from a machine, less the machine's cash payouts.

In fiscal year 2006, the Video Machine Gross Income Tax generated $56.9 million for the General Fund. The amount generated in fiscal 2006 represented a 6.6% increase over the amount collected in fiscal year 2005. Tax collections for the first quarter of fiscal year 2007 were up 7.1% over the first quarter of fiscal year 2006. Appendix A provides statistics on Video Machine Gross Income Tax collections.

Other Gambling Taxes – In addition to the Video Machine Gross Income Tax, the Division collects taxes on two other gambling activities:

- Live bingo/keno is taxed at the rate of 1% of gross proceeds and all of the tax is distributed to local government.

- Sports tab cards are taxed at a flat rate of $1 per card and the division retains all of the tax.

Permit Fees – The Gambling Control Division also collects a number of fees related to licensing gambling activities. (See Appendix B)

The most significant permit fee is the $220 per year basic fee for each video gambling machine. Prior to fiscal year 2004, the permit fee was split 50% to local governments and 50% to the State Gambling Special Revenue Fund. With the passage of House Bill 162 in the 2003 Legislature, the fee was split to provide $100 to local governments and $120 to the State Gambling Special Revenue Fund. In fiscal year 2006, video gambling machine permit fees provided the Gambling Special Revenue Fund with $2,358,450.

The number of video gambling machine permits increased slightly to 21,445 in fiscal year 2006 from 20,853 issued in fiscal year 2005.

GAMBLING PERMITS

Activity	Amount of Fee	Distribution	Cite (MCA)
Live Card Game Table	$250/yr for 1st table $500/yr for each add'l table [1]	$100/table retained by Dept. of Justice with remainder to local governments	23-5-306
Live Bingo/Keno	$250/yr for each premise [2]	100% retained by Dept. of Justice	23-5-407
Video Gambling Machine	$220/yr for each machine	$120/machine retained by Dept. of Justice with remainder to local governments	23-5-612
Live Card Game	$10/tournament	100% retained by Dept. of Justice	23-5-317
Casino Night	$25/casino night	100% retained by Dept. of Justice	23-5-705

Chart B-3 in the appendices provides a summary of the revenue collected in relation to fees and permits.

[1] *A senior citizen center is exempt from the live card game table fee. (235-310, MCA)*

[2] *An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno tax (23-5-406 and 410, MCA). A 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) organization qualified for federal exemption after 01/15/89 is exempt from one-half the permit fee. (23-5-406 and 410, MCA)*

Gambling Licenses

All of the following fees are retained by the Department of Justice.

Activity	Amount of Fee	Cite (MCA)
Operator	One-time application fee commensurate with processing costs	23-5-117
Card Dealer	$75 1st year [1] $25 to renew	23-5-308
Card Room Contractor	$150/year	23-5-324
Distributor or Route Operator	Fee commensurate with processing costs plus $1,000/yr license fee	23-5-128 23-5-129
Manufacturer of Video Gambling Machines	Fee commensurate with processing costs plus $1,000/yr license fee	23-5-625
Manufacturer of Gambling Devices Not Authorized in Montana	Fee commensurate with processing costs plus $1,000/yr license fee [2]	23-5-152
Electronic Live Bingo/ Keno Equipment Manufacturer	Fee commensurate with processing costs plus $1,000/yr license fee [2]	23-5-425
Sports Tab Game Seller	Fee commensurate with processing costs plus $100/yr license fee	23-5-115,502,503
Accounting System Vendor	Fee commensurate with processing plus $500/yr license fee	23-5-621

[1] No fee is charged for a 90-day temporary card dealer license. (23-5-308, MCA)
[2] No application processing fee or license fee is charged if the manufacturer-distributor is licensed as a manufacturer-distributor under 23-5-625, MCA. (ARM 23-16-2001)

Tribal Gaming Compacts

The Indian Gaming Regulatory Act (IGRA) enacted by Congress in 1988 directs the state, upon request of a tribe, to enter into negotiations for the conduct of class III gaming on Indian Reservations. Class III gaming, as defined under IGRA, includes video gambling machines and other casino-style games. No class III gaming, by tribal members or nonmembers, can be conducted on the reservation unless a compact is in place.

A team consisting of representatives from the Governor's Office, and the Gambling Control Division negotiate state/tribal compacts for the state on behalf of the Governor.

In existing tribal compacts, the State has negotiated the same types of games that are legal in the state. With regard to conditions of play, the State has agreed to payouts of up to $1,500 for tribally owned video gambling machines. The State has also agreed to allow to a total number of video gambling machines on the reservation rather than limiting Tribes to a specific number of machines to be placed in each tribal premise State licensed facilities are limited to payouts of $800 and may have no more than 20 video gambling machines.

In recent years most tribes have introduced class II video gambling machines. The class II machines resemble class III video gambling machines but are not subject to a state compact because they are considered electronic aids to the play of bingo. The class II video gambling machines can be operated without a tribal state gaming compact.

Status of compact negotiations:

Salish & Kootenai Tribes of the Flathead Reservation – The State and the Tribes entered into a five-year compact in 2001 which expired on November 30, 2006. The Tribe and the state negotiating team entered into negotiations in March 2006. Negotiations have not resulted in a new compact or an extension of the current compact. On November 30, 2006 video gambling machine permits for 37 state licensed gambling locations were canceled and all video machines were removed from the reservation. Without a compact the Tribe will also be required to remove all class III machines operated by the Tribe.

Northern Cheyenne Tribe – The State and the Northern Cheyenne Tribe entered into a five-year compact in May 2002. The compact did not change the number of video gaming machines that may be operated by the Tribe, but provided the Tribe with a payout limit of $1,500. The Northern Cheyenne Tribe initiated negotiations in November 2005 to amend and extend the existing compact. The Tribe has proposed amendments to the compact to allow a casino to be built on trust land near Tongue River Reservoir. Location of the casino outside of the reservation requires a review and approval by the Department of Interior and ultimately the Governor.

Assiniboine & Sioux Tribes of the Fort Peck Reservation – This compact expired in the spring of 2002 and was extended several times as negotiations continued. The last extension of the compact provided that the compact would remain in place until a new compact was negotiated. There have been no negotiations in 2005 or 2006.

Chippewa-Cree Tribes of the Rocky Boy's Reservation – This compact has no fixed expiration date, and was amended and renewed in November 2005. The amended compact provides for $1,500 video gambling payouts and the limit on the number of video gambling machines was changed from 100 per casino to 300 for the reservation. The Tribes are currently constructing a new casino.

Gross Ventre & Assiniboine Tribes of the Fort Belknap Reservation – No compact has ever been negotiated with the Gross Ventre & Assiniboine Tribes. In April 2006 the Tribes and the State began negotiations. There have been several negotiation meetings and conference calls. At this time of this report negotiations are continuing.

Crow Tribe – The compact with the Crow Tribe was scheduled to expire in March 2003, however, the compact was extended with language that allowed the compact to remain in place until a new compact was negotiated. The Crow Tribe has requested negotiations to begin in November 2006 and an initial negotion session was held. The current compact provides for the Tribe to operate a 100 video gambling machine casino at Crow Agency.

Blackfeet Tribe – A compact with the Blackfeet Tribe was terminated in 1997 after being in place only a brief period of time. Negotiations with the Blackfeet Tribe began in June 2005. Two negotiation sessions have been held at the time of this report. The Glacier Peaks casino, which purports to offer only class II gambling, opened in Browning in September 2006.

2005- 2006 Gaming Advisory Council

Report to the

Department of Justice and the 2007 Legislative Session

Council Members

Representative John Witt, Legislature (Chair)

John Tooke, Miles City, Gaming Industry (Vice Chair)

Tim Carson, Billings, Gaming Industry

Fred Guardipee, Browning, Native American

Pam Kennedy, Kalispell, Local Government

Steve Morris, Helena, Gaming Industry

Nick Murnion, Jordan, Local Government

Bill Thomas, Great Falls, Public Citizen

Senator Joe Tropila, Great Falls, Legislature

(Mont. Code Ann. §2-15-2021 **Gaming advisory council —allocation—composition—compensation—biennial report.** (1) There is a gaming advisory council. (2) The gaming advisory council is allocated to the department for administrative purposes only as prescribed in 2-5-121. (3) The gaming advisory council consists of nine members. One member must be from the senate, and one member must be from the house of representatives. The senate committee on committees and the speaker of the house of representatives shall appoint the legislative members of the council. The seven remaining members must be appointed by the department, with one representing the public at large, two representing local governments, one being a Native American, and three representing the gaming industry.

2005-2006 Gaming Advisory Council

The statutory duties assigned to the Gaming Advisory Council (GAC) are:

- to hold meetings and incur necessary expenses to study all aspects of gambling in Montana;
- to review and comment on administrative rules proposed by the Department; and
- to submit an biennial report to the Department of Justice and the Legislature with recommendations regarding the state's gambling laws and the Department's administrative rules and operations.

The GAC consists of nine members: one member each from the Senate and House of Representatives, one public member, two local government representatives, one Native American representative, and three gaming industry representatives. The President of the Senate and the Speaker of the House appoint the legislators to the Council, while the Attorney General selects the remaining members. Each member serves a three-year term.

The leadership of the 2007 Legislature reappointed Representative John Witt and Senator Joe Tropila. Other appointments included:

- Pam Kennedy, Tim Carson and Bill Thomas, reappointed to the GAC in 2004 to serve terms until 2007;
- Fred Guardipee, appointed to complete Kevin Howlett's term. (Kevin Howlett had also been appointed in 2004 but resigned from the GAC in 2006.)
- Members Steve Morris, John Tooke and Nick Murnion, reappointed to three-year terms.

Summary of Council Activities

During the 2006-2007 Biennium the GAC met six times. The meetings were held around the state, with four meetings in Helena, one in Billings and one in Fort Benton.

Significant activities of the GAC during 2005 and 2006 included:

- A GAC Subcommittee met several times to develop legislation to update the laws governing card games, needed because of the surge of interest in Texas Hold'em and poker tournaments.

- The GAC developed legislation to generally revise the card game laws.

- The GAC assisted in developing rules for the implementation of bonus games as authorized by the 2005 Legislature.

- The GAC reviewed changes in rules required for the Gambling Control Division to implement the GenTax database and to introduce electronic business services to gambling operators.

- The GAC heard reports on problem gambling and the efforts of the Montana Council on Problem Gambling. The GAC discussed the issue of public versus private funding for problem gambling and the need to promote public awareness of responsible gambling.

- The GAC heard reports and discussed issues relating to credit gambling and restrictions on the use of credit cards.

Council Deliberations and Activities

This section provides a summary of each of the Council's meetings during the 2005-2006 biennium. A general account of each meeting is contained in the meeting minutes, which are available on the Gambling Control Division website:
www.doj.mt.gov/gaming/advisorycouncil.asp

A summary of each meeting follows:

May 13, 2005 – The organizational meeting for the 2006-2007 biennium was convened in Helena. Representative John Witt was elected Chair and John Took was re-elected Vice Chair. Attorney General Mike McGrath welcomed the GAC and reported that the GAC proposals had been well received by the 2005 Legislature.

George Parisot, Director of the Montana Lottery, addressed the Council and in response to questions indicated that the Lottery would be interested in contributing its fair share to the Montana Council on Problem Gambling.

Gene Huntington, Gambling Control Division Administrator, provided a review of gambling legislation from the 2005 Legislature. Gene Huntington then provided a report on potential issues for the GAC to consider over the next 18 months. Potential issues included revision of poker laws, modernization of the Division's database and credit gambling. Chairman Witt then asked for public testimony on issues of interest. Issues mentioned included the statute of limitations on gambling offenses, updating poker laws and changes in bingo laws.

Chairman Witt asked each council member to indicate the issues they were interested in pursuing. Issues mentioned by council members included ramifications of out-of-state ownership of liquor licenses, tribal compacts, credit card gambling and problem gambling.

The Gambling Control Division presented proposed rules regarding bonus games for video gambling machines. A subcommittee was appointed to work on the rules.

September 23, 2005 – The GAC met in Helena. The first order of business was a report from the subcommittee dealing with new bonus game rules. Gene Huntington reported that the subcommittee had recommended a compromise on how existing games would be affected and everyone was in agreement on the proposed rule.

Gene Huntington made a presentation on problems that are being encountered with credit cards in relation to gamblers accumulating large debts and presented potential solutions. The Council recommended that the Gambling Control Division increase efforts to educate operators with regard to credit gambling.

Gene Huntington presented proposed rules that would increase lab fees, update the combined application form and clarify requirements for letters of withdrawal. With some modifications, the council approved the proposed rules.

The Department of Revenue gave a report on out-of-state ownership of liquor licenses. Mr. Peterson stated that there is a growing concern about the lack of availability of liquor licenses for restaurants. Al Arvish of the Gambling Control Division gave a report on the development of a new database and indicated that it is likely that the Division will develop the new database as part of the Department of Revenue's IRIS system.

Gene Huntington made a presentation on the problems being encountered with the current law on temporary dealer licenses. After a discussion, the Chairman appointed a subcommittee to work on changes in the poker laws. The Chairman appointed Bill Thomas, John Tooke, Senator Tropila and himself. Senator Tropila will serve as the chairman of the subcommittee.

Tim Carson raised the issue of the display of pay table rates of return. After a discussion of the issue, Gene Huntington suggested that a discussion paper on the issue be prepared for the next meeting.

January 20, 2006 – The GAC met in Billings. Attorney General Mike McGrath addressed the meeting, thanking council members for their work and pointing out that the large number of people in attendance at the meeting indicated the importance of the council's work.

The Audit Committee and GCD staff presented the concept of having more than one level of video gambling machine tax reporting possible under the automated accounting and reporting system. Record keeping requirements would be tied to the level or tier that the operator chose to report taxes. The GAC voted to proceed with this concept.

Senator Tropila reported that the Poker Subcommittee had held two meetings and asked Gene Huntington to review its discussions as set out in an issue paper. After taking comments on the report, Senator Tropila indicated the subcommittee would have further meetings.

The GAC discussed a proposed video gambling machine that would display the rate of return for the machine as players were placing their bets. The Division indicated that it lacks authority to regulate this feature on a video gambling machine. The GAC discussed potential legislation on this issue and asked the Division to provide further legal analysis.

Mark Ehli addressed the council about the need to update the bingo laws. The council directed the Division to conduct a survey of bingo operators on the subject.

April 21, 2006 – The GAC met in Helena. The primary focus of the meeting was the discussion of the proposed legislation to generally revise poker laws. Gene Huntington explained that the most pressing problem had to do with the temporary licenses for card dealers and the large increase in the number of card dealer applications.

There was much discussion on whether the pot limit should be raised to $800 or $500 from the current $300 limit. The GAC voted to increase the limit to $800. Another motion was passed to split the live card game fees equally with local governments and to increase the table fee to $50 for tournaments, with a cap of $200 per tournament.

Gene Huntington presented a paper on the regulation of display of the video gambling machine pay out statistic and the GAC voted to not proceed with legislation. The council voted to proceed with legislation that allowed variations of bingo cards other than the standard 25 space card

The need for funding for the Montana Council on Problem Gambling led to a discussion of public versus private funding. Rich Miller, speaking as a Montana Council on Problem Gambling board member, indicated that the Montana Council wants to continue to try to secure private funding rather than pursue public funding. Mr. Miller was asked to report back at the next GAC meeting on efforts to increase private funding.

Gene Huntington provided the GAC with updates on the proposed budget for GCD, development of the GenTax database and proposed rules on testing accounting systems. Deanne Sandholm of the Governor's Office provided an update on various gaming compact negotiations with Montana Tribes.

July 21, 2006 – The GAC met in Fort Benton. Council members thanked Chairman Witt for his hospitality in hosting the meeting in Fort Benton.

Rich Miller reported on efforts to increase private funding for the Montana Council on Problem Gambling. Mr. Miller reported that the funding for the Council had been increased by about one-third and that it appeared commitments had been made to be able to continue current services for at least the next three years. The Council asked to get reports on the efforts of other states, and education and prevention efforts.

Gene Huntington reported that it did not appear to be technically possible to limit ATMs in casinos to debit cards. After some discussion of the problem of misuse of credit cards in casinos, the GAC urged the Division to get information in the Tavern Times and to direct information to operators clearly spelling out what is legal and illegal in using checks and credit cards to gamble.

After discussion of the proposed legislation to generally revise the laws related to poker, the GAC voted to send the legislation back to the subcommittee for more work. The GAC voted to approve legislation to allow the Division to approve variations in bingo cards.

November 17, 2006 – The GAC met in Helena. Attorney General Mike McGrath addressed the Council, expressing his appreciation for the time and effort of the Council and Chairman Witt. The Attorney General accepted a $25,000 donation on behalf of the Montana Council on Problem Gambling from Zoann Attwood of Intralot, the company that provides the system for the Montana Lottery.

The Council heard a report from Shauna Helfert of the Department of Revenue concerning proposed legislation to address court decisions affecting out-of-state liquor license ownership and importation of wine.

The Council took up final legislation related to revising laws related to card games. The Council reviewed and voted on 17 proposed changes to card game laws and approved nine of the proposals. The Council did not approve most fee increases or increasing the pot limit for poker. The Council did approve changes in the way dealer's licenses are issued and to deregulate social card games.

The Council approved proposed legislation to provide specific authority for the Gambling Control Division to participate with other state and tribal agencies in public information programs directed at responsible gambling. The Council also reaffirmed the limited changes to the definition of bingo cards that had been approved at a previous meeting.

The Council reviewed proposed rules related to the automated accounting system and heard reports on tribal compact negotiations, Internet gambling legislation and video gambling income tax collections. The Administrator also reported progress in implementing the new database and that Division staff had cleared all prior year audits and were current for the first time in many years.

Appendix A
Video Gambling Machine Related Statistics

Appendix A

Chart 1

Video Gambling Machine Tax Collections by Quarter

Fiscal Year	First Qtr	Second Qtr	Third Qtr	Fourth Qtr	Total	% Change
1994	$7,451,739	$7,338,880	$7,603,432	$7,658,536	$30,052,587	12.0%
1995	$7,950,043	$7,748,440	$7,708,615	$7,940,884	$31,347,982	4.3%
1996	$8,097,592	$7,893,431	$8,013,103	$8,194,797	$32,198,923	2.7%
1997	$8,492,318	$8,277,017	$8,267,308	$8,771,913	$33,808,556	5.0%
1998	$9,166,429	$9,212,390	$8,995,324	$9,301,819	$36,675,962	8.5%
1999	$9,456,531	$9,265,010	$9,393,025	$9,910,342	$38,024,908	3.7%
2000	$10,067,244	$9,969,380	$10,336,838	$10,198,751	$40,572,213	6.7%
2001	$10,453,723	$10,031,539	$10,490,969	$10,598,692	$41,574,923	2.5%
2002	$10,878,094	$10,795,923	$10,866,994	$11,164,102	$43,705,113	5.1%
2003	$10,930,037	$11,478,844	$11,677,029	$12,047,838	$46,133,748	5.6%
2004	$12,421,994	$12,147,666	$12,692,531	$12,803,340	$50,065,531	8.5%
2005	$13,158,607	$13,125,315	$13,406,016	$13,681,855	$53,371,793	6.6%
2006	$13,993,833	$13,982,777	$14,630,273	$14,305,508	$56,912,391	6.6%

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Chart 2

Video Gambling Machines and Establishments by Income Category

Net Income of Establishments

Net Income of Establishments	FY 2003 Number of Estab.	FY 2003 Percent of Total	FY 2004 Number of Estab.	FY 2004 Percent of Total	FY 2005 Number of Estab.	FY 2005 Percent of Total	FY 2006 Number of Estab.	FY 2006 Percent of Total
$0 - $25,000	180	21%	195	21%	186	21%	175	19%
$25,001 - $100,000	267	31%	282	31%	262	29%	267	29%
$100,001 - $500,000	274	32%	271	29%	270	30%	301	33%
$500,001 - $1,000,000	118	14%	146	16%	136	15%	134	15%
$1,000,000 +	9	1%	26	3%	39	4%	31	3%
Total	848	100%	920	100%	893	100%	908	100%

Establishments with machines continually operating for 90 days or more in each (4) quarter.

Gross Income Per Machine

Annual Gross Income Per Machine	FY 2003 Number of VGMS	FY 2003 Percent of Total	FY 2004 Number of VGMS	FY 2004 Percent of Total	FY 2005 Number of VGMS	FY 2005 Percent of Total	FY 2006 Number of VGMS	FY 2006 Percent of Total
$0-$5,000	1,242	15%	1,230	13%	1,424	15%	1,173	13%
$5,001 - $10,000	1,604	19%	1,544	17%	1,416	15%	1,249	14%
$10,001 - $25,000	2,818	33%	2,928	32%	2,976	32%	3,079	34%
$25,001 - $50,000	2,236	26%	2,432	27%	2,468	26%	2,352	26%
$50,001 - $75,000	516	6%	776	9%	879	9%	824	9%
$75,001 - $110,000	105	1%	208	2%	198	2%	227	3%
$110,000 +	0	0%	0	0%	62	1%	76	1%
Total	8,521	100%	9,118	100%	9,423	100%	8,980	100%

Establishments with machines continually operating for 90 days or more in each (4) quarter.

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Chart 3

Video Gambling Machines Income Trend

Fiscal Year	Average No. of Machines Reporting	Total Annual Gross Income	Average Annual Gross Income Per Machines
1994	14,956	$200,300,000	$13,393
1995	15,971	$209,000,000	$13,086
1996	16,458	$214,600,000	$13,039
1997	16,848	$225,300,000	$13,373
1998	17,260	$244,500,000	$14,166
1999	17,132	$253,500,000	$14,797
2000	17,156	$270,500,000	$15,767
2001	17,594	$275,870,000	$15,680
2002	17,558	$290,300,000	$16,534
2003	18,074	$307,200,000	$16,997
2004	18,192	$333,827,800	$18,350
2005	18,176	$334,495,456	$18,403
2006	18,420	$378,827,999	$20,566

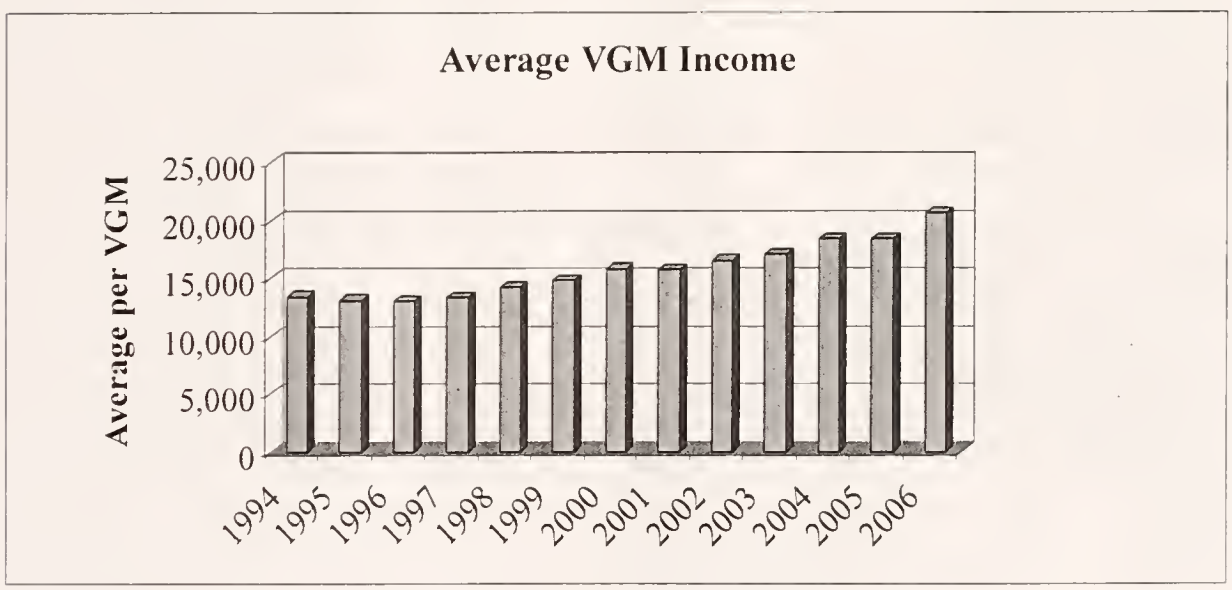

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Chart 4

Video Gambling Tax by County and City of Collection

		FY 2003	FY 2004	FY 2005	FY 2006
01	BUTTE - SILVERBOW	$2,753,772	$3,045,259	$3,161,073	$3,156,228
	WALKERVILLE	$10,204	$9,416	$9,632	$10,970
02	CASCADE	$368,124	$405,316	$381,345	$418,021
	BELT	$38,702	$30,223	$31,084	$42,490
	CASCADE	$28,443	$28,640	$31,061	$30,558
	GREAT FALLS	$4,640,496	$5,006,308	$5,175,359	$5,354,594
	NIEHART	$1,937	$1,894	$1,134	$2,258
03	YELLOWSTONE COUNTY	$663,322	$713,298	$699,206	$759,565
	BILLINGS	$7,613,457	$8,295,356	$8,762,989	$9,415,570
	BROADVIEW	$1,817	$1,695	$5,970	$4,301
	LAUREL	$460,278	$486,032	$545,011	$567,641
04	MISSOULA COUNTY	$1,143,169	$1,199,897	$1,220,216	$1,315,356
	MISSOULA	$3,898,663	$4,300,188	$4,522,858	$4,685,431
05	LEWIS & CLARK COUNTY	$313,946	$322,052	$342,287	$330,319
	EAST HELENA	$533,808	$600,448	$617,188	$605,754
	HELENA	$2,253,503	$2,518,390	$2,730,244	$2,935,392
06	GALLATIN COUNTY	$325,618	$344,275	$411,123	$390,400
	BELGRADE	$459,479	$595,736	$698,510	$883,345
	BOZEMAN	$1,467,490	$1,584,652	$1,690,899	$1,880,179
	MANHATTAN	$34,598	$33,805	$42,209	$48,982
	THREE FORKS	$35,037	$44,352	$46,577	$42,343
	WEST YELLOWSTONE	$130,545	$157,847	$182,580	$189,300
07	FLATHEAD COUNTY	$1,382,402	$1,474,294	$1,606,290	$1,777,376
	COLUMBIA FALLS	$381,801	$420,294	$454,320	$510,418
	KALISPELL	$1,845,122	$1,981,237	$2,087,198	$2,295,036
	WHITEFISH	$551,157	$607,932	$713,366	$738,285
08	FREGUS COUNTY	$23,776	$23,010	$25,361	$24,400
	DENTON	$5,100	$5,121	$4,049	$1,590
	GRASS RANGE	$2,653	$3,308	$4,653	$3,305
	LEWISTOWN	$470,922	$468,561	$490,005	$556,717
	MOORE	$2,453	$1,355	$1,563	$1,826
	WINIFRED	$2,910	$3,196	$2,517	$2,355

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Video Gambling Tax by County and City of Collection

		FY 2003	FY 2004	FY 2005	FY 2006
09	POWDER RIVER COUNTY	$250	$5	$250	$329
	BROADUS	$43,942	$52,188	$52,166	$64,720
10	CARBON COUNTY	$182,183	$181,559	$169,302	$181,303
	BEAR CREEK	$274	$358	$372	$324
	BRIDGER	$159,363	$160,007	$152,641	$158,211
	FROMBERG	$4,476	$1,875	$42,269	$45,908
	JOLIET	$8,620	$10,092	$7,944	$8,879
	RED LODGE	$213,735	$206,659	$219,039	$256,370
11	PHILLIPS COUNTY	$19,399	$16,683	$15,250	$17,422
	DODSON	$3,783	$2,619	$4,269	$3,065
	MALTA	$103,042	$103,743	$111,702	$138,858
	SACO	$8,303	$7,398	$5,140	$7,531
12	HILL COUNTY	$116,487	$124,441	$117,680	$141,597
	HAVRE	$856,445	$967,771	$1,069,912	$1,122,986
13	RAVALLI COUNTY	$277,008	$340,417	$361,528	$381,450
	DARBY	$94,279	$69,132	$71,531	$80,335
	HAMILTON	$785,642	$837,714	$907,668	$1,001,054
	STEVENSVILLE	$70,062	$62,592	$81,263	$90,795
14	CUSTER COUNTY	$18,463	$15,847	$17,126	$16,775
	MILES CITY	$711,485	$761,401	$839,355	$890,574
15	LAKE COUNTY	$145,559	$185,530	$213,302	$216,713
	POLSON	$393,580	$482,363	$559,855	$570,811
	RONAN	$246,004	$250,487	$261,814	$286,819
	ST.IGNATIUS	$10,135	$9,266	$8,053	$8,002
16	DAWSON COUNTY	$127,917	$135,629	$151,867	$175,399
	GLENDIVE	$348,705	$347,885	$352,426	$418,956
	RICHEY	$3,428	$3,213	$5,369	$3,892
17	ROOSEVELT COUNTY	$180,103	$168,033	$187,158	$206,162
	BAINVILLE	$75,898	$98,118	$124,608	$108,675
	BROCKTON	$2,693	$1,307	$7,941	$17,441
	CULBERTSON	$43,708	$44,383	$45,989	$42,670
	FROID	$12,238	$14,493	$13,582	$16,312
	POPLAR	$50,184	$48,924	$47,397	$50,723
	WOLF POINT	$186,121	$236,764	$248,725	$348,610

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		FY 2003	FY 2004	FY 2005	FY 2006
18	BEAVERHEAD COUNTY	$31,046	$29,808	$28,835	$24,147
	DILLON	$284,830	$310,072	$313,504	$337,577
	LIMA	$5,423	$4,434	$3,776	$5,152
19	CHOTEAU COUNTY	$13,955	$5,898	$8,759	$12,939
	BIG SANDY	$36,690	$26,842	$30,060	$35,784
	FORT BENTON	$47,533	$44,915	$53,935	$55,953
	GERALDINE	$2,413	$3,941	$4,561	$3,423
20	VALLEY COUNTY	$112,589	$111,995	$129,266	$103,338
	GLASGOW	$132,858	$159,399	$174,737	$226,565
	NASHUA	$5,765	$5,599	$7,258	$14,309
	OPHEIM	$3,794	$2,354	$4,232	$6,413
	FORT PECK	$0	$0	$0	$0
21	TOOLE COUNTY	$17,904	$21,617	$19,917	$20,970
	KEVIN	$11,222	$8,143	$3,320	$1,195
	SHELBY	$261,380	$307,914	$321,527	$319,550
	SUNBURST	$9,034	$8,732	$9,460	$9,644
22	BIG HORN COUNTY	$33,617	$33,725	$45,316	$57,943
	HARDIN	$492,365	$466,138	$490,888	$517,618
23	MUSSELSHELL COUNTY	$7,967	$9,805	$8,153	$7,906
	MELSTONE	$1,972	$807	$489	$117
	ROUNDUP	$205,707	$184,389	$197,196	$191,139
24	BLAINE COUNTY	$8,955	$8,595	$9,065	$13,202
	CHINOOK	$130,628	$126,340	$130,499	$140,451
	CITY OF HARLEM	$85,794	$94,632	$108,995	$115,110
25	MADISON COUNTY	$39,879	$41,634	$38,563	$38,261
	ENNIS	$43,570	$56,007	$85,286	$97,051
	SHERIDAN	$9,896	$12,806	$13,588	$17,362
	TWIN BRIDGES	$10,030	$7,099	$6,693	$7,464
	VIRGINIA CITY	$12,803	$10,128	$20,991	$17,602
26	PONDERA COUNTY	$20,235	$25,611	$24,188	$24,120
	CONRAD	$162,510	$157,994	$154,291	$172,769
	VALIER	$4,551	$6,201	$4,190	$4,794

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		FY 2003	FY 2004	FY 2005	FY 2006
27	RICHLAND COUNTY	$21,870	$16,231	$17,641	$16,509
	FAIRVIEW	$130,215	$132,855	$158,960	$247,222
	SIDNEY	$454,138	$516,343	$648,626	$724,626
28	POWELL COUNTY	$38,320	$30,188	$24,999	$25,524
	DEER LODGE	$248,603	$287,594	$323,708	$352,277
29	ROSEBUD COUNTY	$61,113	$75,592	$68,000	$78,745
	FORSYTH	$152,426	$155,914	$183,007	$207,209
	COLSTRIP	$148,290	$171,434	$167,627	$146,745
30	ANACONDA COUNTY	$585,321	$661,339	$698,228	$678,290
31	TETON COUNTY	$14,550	$14,637	$11,701	$10,991
	CHOTEAU	$55,049	$58,873	$66,423	$68,775
	DUTTON	$10,625	$8,513	$6,147	$5,508
	FAIRFIELD	$37,132	$36,360	$41,762	$44,082
32	STILLWATER COUNTY	$114,665	$103,307	$155,607	$178,115
	COLUMBUS	$240,219	$289,003	$312,857	$335,761
33	TREASURE COUNTY	$0	-$336	$100	$0
	HYSHAM	$1,124	$3,433	$4,433	$4,936
34	SHERIDAN COUNTY	$8,186	$41,946	$35,431	$41,636
	MEDICINE LAKE	$9,633	$8,806	$7,580	$7,489
	OUTLOOK	$262	$179	$135	$155
	PLENTYWOOD	$112,548	$118,528	$126,516	$148,270
	WESTBY	$7,255	$8,960	$5,762	$7,399
35	SANDERS COUNTY	$104,755	$110,166	$132,307	$141,916
	HOT SPRINGS	$9,778	$11,574	$11,879	$13,874
	PLAINS	$114,754	$134,236	$129,055	$150,947
	THOMPSON FALLS	$172,836	$191,788	$191,395	$195,233
36	JUDITH BASIN COUNTY	$27,362	$32,837	$29,962	$29,690
	HOBSON	$7,585	$3,595	$5,962	$6,323
	STANFORD	$8,440	$11,066	$10,082	$8,544
37	DANIELS COUNTY	$1,013	$4,694	$10,033	$2,174
	FLAXVILLE	$2,138	$2,722	$2,851	$1,744
	SCOBEY	$34,949	$31,347	$31,552	$35,722

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Video Gambling Tax by County and City of Collection

		FY 2003	FY 2004	FY 2005	FY 2006
38	GLACIER COUNTY	$250	$510	$53	$5
	CUT BANK	$374,034	$387,727	$378,856	$404,221
39	FALLON COUNTY	$1,622	$1,678	$2,499	$1,339
	BAKER	$113,730	$117,087	$136,912	$143,532
	PLEVNA	$1,264	$0	$0	$3,453
40	SWEET GRASS COUNTY	$42,229	$67,157	$71,341	$91,242
	BIG TIMBER	$59,560	$69,455	$69,699	$55,246
41	MCCONE COUNTY	$2,957	$2,556	$3,394	$5,470
	CIRCLE	$10,340	$12,910	$13,644	$17,118
42	CARTER COUNTY	$784	$643	$1,132	$337
	EKALAKA	$19,914	$23,538	$15,332	$18,143
43	BROADWATER COUNTY	$110,554	$119,456	$125,309	$148,536
	TOWNSEND	$162,410	$186,220	$206,505	$227,917
44	WHEATLAND COUNTY	$49,962	$64,137	$74,012	$83,191
	HARLOWTON	$30,765	$31,347	$33,666	$30,762
	JUDITY GAP	$4,073	$3,882	$4,891	$5,156
45	PRAIRIE COUNTY	$260	$194	$293	$320
	TERRY	$18,594	$17,261	$17,178	$17,783
46	GRANITE COUNTY	$17,796	$16,534	$10,620	$8,730
	DRUMMOND	$13,185	$15,390	$12,821	$17,691
	PHILIPSBURG	$38,826	$44,417	$51,598	$46,278
47	MEAGHER COUNTY	$16,823	$13,817	$7,467	$8,528
	WHITE SULPHUR SPRINGS	$63,092	$61,202	$65,687	$74,134
48	LIBERTY COUNTY	$895	$964	$609	$359
	CHESTER	$25,242	$25,999	$27,338	$30,382
49	PARK COUNTY	$194,278	$221,322	$219,269	$226,603
	CLYDE PARK	$15,361	$15,685	$22,829	$25,915
	LIVINGSTON	$549,810	$583,832	$656,007	$693,169

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Video Gambling Tax by County and City of Collection

		FY 2003	FY 2004	FY 2005	FY 2006
50	GARFIELD COUNTY	$1,212	$882	$702	$0
	JORDAN	$6,912	$6,657	$8,920	$15,526
51	JEFFERSON COUNTY	$93,258	$79,778	$82,328	$97,182
	BOULDER	$86,757	$87,272	$80,360	$89,112
	WHITEHALL	$97,298	$106,887	$114,565	$111,782
52	WIBAUX COUNTY	$0	$0	$30	$0
	WIBAUX	$72,928	$83,221	$84,979	$97,492
53	GOLDEN VALLEY COUNTY	$3,087	$4,183	$3,073	$2,108
	RYEGATE	$9,351	$11,156	$14,996	$15,826
54	MINERAL COUNTY	$246,868	$254,777	$267,977	$250,778
	ALBERTON	$35,054	$39,905	$37,775	$35,730
	SUPERIOR	$125,897	$148,379	$146,944	$135,075
55	PETROLEUM COUNTY	$0	$0	$0	$0
	WINNETT	$5,293	$2,680	$5,499	$4,241
56	LINCOLN COUNTY	$250,284	$242,817	$308,845	$302,824
	EUREKA	$108,618	$134,117	$144,874	$156,517
	LIBBY	$439,408	$449,224	$494,476	$534,879
	REXFORD	$10,508	$11,478	$9,464	$10,392
	TROY	$72,116	$76,522	$92,790	$91,097
Totals		$46,133,746	$50,074,435	$53,371,794	$56,912,396

Appendix A

Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
SILVER BOW COUNTY	109	352
WALKERVILLE	1	1
WITHIN COUNTY:	110	353
CASCADE COUNTY	37	314
BELT	5	33
CASCADE	3	20
GREAT FALLS	103	1479
NEIHART	1	2
WITHIN COUNTY:	149	1848
YELLOWSTONE COUNTY	28	240
BILLINGS	134	1997
BROADVIEW	2	2
LAUREL	10	158
WITHIN COUNTY:	174	2397
MISSOULA COUNTY	47	428
MISSOULA	81	1041
WITHIN COUNTY:	128	1469
LEWIS & CLARK COUNTY	33	248
EAST HELENA	6	108
HELENA	48	658
WITHIN COUNTY:	87	1014
GALLATIN COUNTY	24	143
BELGRADE	14	209
BOZEMAN	42	425
MANHATTAN	4	36
THREE FORKS	5	29
WEST YELLOWSTONE	8	69
WITHIN COUNTY:	97	911
FLATHEAD COUNTY	48	475
COLUMBIA FALLS	9	146
KALISPELL	28	447
WHITEFISH	15	198
WITHIN COUNTY:	100	1266

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Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
FERGUS COUNTY	10	27
DENTON	1	3
GRASS RANGE	1	5
LEWISTOWN	15	203
MOORE	1	4
WINIFRED	2	4
WITHIN COUNTY:	30	246
BROADUS	4	28
WITHIN COUNTY:	4	28
CARBON COUNTY	10	86
BEARCREEK	1	2
BRIDGER	4	52
FROMBERG	3	18
JOLIET	3	8
RED LODGE	8	78
WITHIN COUNTY:	29	244
PHILLIPS COUNTY	5	17
DODSON	2	4
MALTA	10	64
SACO	2	8
WITHIN COUNTY:	19	93
HILL COUNTY	11	94
HAVRE	25	370
WITHIN COUNTY:	36	464
RAVALLI COUNTY	24	155
DARBY	4	47
HAMILTON	18	234
STEVENSVILLE	5	50
WITHIN COUNTY:	51	486
CUSTER COUNTY	3	25
MILES CITY	24	267
WITHIN COUNTY:	27	292

Appendix A

Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
LAKE COUNTY	18	121
POLSON CITY	16	162
RONAN	6	67
ST IGNATIUS	1	8
WITHIN COUNTY:	41	358
DAWSON COUNTY	4	35
GLENDIVE	16	174
RICHEY	2	5
WITHIN COUNTY:	22	214
ROOSEVELT COUNTY	3	28
BAINVILLE	2	20
BROCKTON	1	9
CULBERTSON	2	23
FROID	2	12
POPLAR	4	29
WOLF POINT	8	96
WITHIN COUNTY:	22	217
BEAVERHEAD COUNTY	12	46
DILLON	18	163
LIMA	3	13
WITHIN COUNTY:	33	222
CHOUTEAU COUNTY	4	15
BIG SANDY	3	31
FORT BENTON	8	53
GERALDINE	2	3
WITHIN COUNTY:	17	102
VALLEY COUNTY	8	50
GLASGOW	13	118
NASHUA	3	12
OPHEIM	2	6
WITHIN COUNTY:	26	186

Appendix A

Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
TOOLE COUNTY	6	20
KEVIN	2	2
SHELBY	12	104
SUNBURST	2	9
WITHIN COUNTY:	22	135
BIG HORN COUNTY	2	12
HARDIN	11	125
WITHIN COUNTY:	13	137
MUSSELSHELL COUNTY	2	9
MELSTONE	1	2
ROUNDUP	9	58
WITHIN COUNTY:	12	69
BLAINE COUNTY	3	6
CHINOOK	8	55
CITY OF HARLEM	3	38
WITHIN COUNTY:	14	99
MADISON COUNTY	15	49
ENNIS	4	39
SHERIDAN	3	13
TWIN BRIDGES	2	7
VIRGINIA CITY	1	9
WITHIN COUNTY:	25	117
PONDERA COUNTY	4	28
CONRAD	8	50
VALIER	2	11
WITHIN COUNTY:	14	89
RICHLAND COUNTY	4	16
FAIRVIEW	4	52
SIDNEY	16	165
WITHIN COUNTY:	24	233
POWELL COUNTY	8	38
DEER LODGE	12	122
WITHIN COUNTY:	20	160

Appendix A

Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
ROSEBUD COUNTY	10	73
FORSYTH	9	75
COLSTRIP	4	43
WITHIN COUNTY:	23	191
ANACONDA/DEERLODGE CO	38	290
WITHIN COUNTY:	38	290
TETON COUNTY	6	19
CHOTEAU	6	47
DUTTON	1	8
FAIRFIELD	4	32
WITHIN COUNTY:	17	106
STILLWATER COUNTY	9	76
COLUMBUS	5	78
WITHIN COUNTY:	14	154
HYSHAM	2	4
WITHIN COUNTY:	2	4
SHERIDAN COUNTY	4	32
MEDICINE LAKE	2	12
OUTLOOK	1	2
PLENTYWOOD	9	99
WESTBY	1	10
WITHIN COUNTY:	17	155
SANDERS COUNTY	13	95
HOT SPRINGS	3	13
PLAINS	5	71
THOMPSON FALLS	5	49
WITHIN COUNTY:	26	228
JUDITH BASIN COUNTY	4	15
HOBSON	2	7
STANFORD	4	8
WITHIN COUNTY:	10	30

Appendix A

Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
DANIELS COUNTY	2	2
FLAXVILLE	2	6
SCOBEY	5	37
WITHIN COUNTY:	9	45
CUT BANK	12	111
WITHIN COUNTY:	12	111
FALLON COUNTY	1	2
BAKER	7	68
PLEVNA	1	5
WITHIN COUNTY:	9	75
SWEET GRASS COUNTY	2	22
BIG TIMBER	6	38
WITHIN COUNTY:	8	60
MCCONE COUNTY	2	5
CIRCLE	4	19
WITHIN COUNTY:	6	24
CARTER COUNTY	2	2
EKALAKA	2	17
WITHIN COUNTY:	4	19
BROADWATER COUNTY	4	36
TOWNSEND	9	89
WITHIN COUNTY:	13	125
WHEATLAND COUNTY	4	30
HARLOWTON	5	28
JUDITH GAP	2	7
WITHIN COUNTY:	11	65
PRAIRIE COUNTY	1	3
TERRY	2	13
WITHIN COUNTY:	3	16
GRANITE COUNTY	3	4
DRUMMOND	2	12
PHILIPSBURG	5	33
WITHIN COUNTY:	10	49

Appendix A

Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
MEAGHER COUNTY	3	6
WHITE SULPHUR SPRINGS	6	41
WITHIN COUNTY:	9	47
LIBERTY COUNTY	1	3
CHESTER	3	24
WITHIN COUNTY:	4	27
PARK COUNTY	15	109
CLYDE PARK	2	8
LIVINGSTON	22	176
WITHIN COUNTY:	39	293
GARFIELD COUNTY	1	
JORDAN	2	11
WITHIN COUNTY:	3	11
JEFFERSON COUNTY	10	62
BOULDER	4	40
WHITEHALL	6	41
WITHIN COUNTY:	20	143
WIBAUX	3	34
WITHIN COUNTY:	3	34
GOLDEN VALLEY COUNTY	1	4
RYEGATE	3	15
WITHIN COUNTY:	4	19
MINERAL COUNTY	10	123
ALBERTON	3	24
SUPERIOR	5	59
WITHIN COUNTY:	18	206
WINNETT	2	4
WITHIN COUNTY:	2	4

Appendix A

Chart 5

Number of Video Gambling Establishments and Machines by County and City

For the Period ending June 30, 2006

	Number of Establishments	Number of Video Gambling Machines
LINCOLN COUNTY	22	178
EUREKA	3	32
LIBBY	15	224
REXFORD	1	5
TROY	7	79
WITHIN COUNTY:	48	518
WITHIN STATE:	**1,728**	**16,498**

Appendix B
Gambling License and Permit Statistics

Appendix B

Chart 1

Gambling Licences

Gambling Operator Licenses

Type of License	*FY 2003*	*FY 2004*	*FY 2005*	*FY 2006*
Standard	1,596	1,594	1,598	1,600
Provisional	0	0	0	0
Conditional	96	96	95	97
Probationary	17	10	7	8
Total	1,709	1,700	1,700	1,705

Manufacturer / Distributor / Route Operator Licenses

Type of License	*FY 2003*	*FY 2004*	*FY 2005*	*FY 2006*
Manufacturer	3	3	3	4
Distributor	1	2	2	1
Route Operator	78	70	74	72
Manufacturer / Distributor	7	7	6	6
Distributor / Route Operator	11	11	11	11
Manufacturer / Distributor / Route Operator	4	4	5	5
Manufacturer of Illegal Devices	1	3	3	4
Manufacturer of Legal / Illegal / Dist. / Route Op.	0	1	2	2
Sports Tab Game Seller	0	1	1	1
Total	105	102	107	106

Miscellaneous Gambling Licenses

Type of License	*FY 2003*	*FY 2004*	*FY 2005*	*FY 2006*
Card Dealers	208	375	751	901
Card Room Contractors	31	29	42	63
Antique Slot Machine Dealers	6	6	7	6

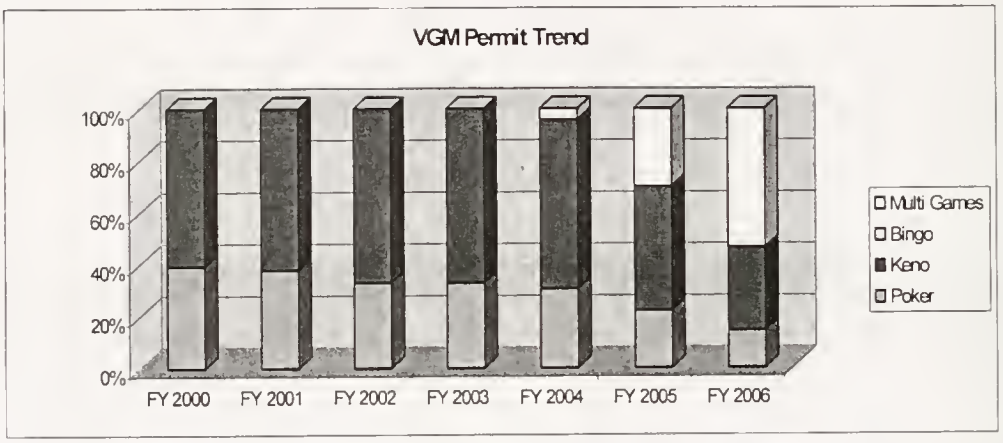
Appendix B

Chart 2

Gambling Permits

Video Gambling Machine Permits Issued by Machine Type

Type of License	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Poker	7,697	7,370	6,865	6,832	6,248	4,614	3,043
Keno	11,878	12,100	13,999	14,012	13,397	10,019	6,929
Bingo	0	0	0	1	0	0	0
Multi Games	0	0	0	0	865	6,220	11,473
Total	19,575	19,470	20,864	20,845	20,510	20,853	21,445



Number of Live Bingo and Keno Permits Issued

Type of License	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Comercial Oganization							
Bingo	40	30	28	27	27	30	37
Keno	27	26	24	22	20	22	20
Bingo/Keno	4	5	5	2	2	3	2
Subtotal	71	61	57	51	49	55	59
Exempt Organizations							
Bingo	47	46	49	48	43	42	39
Keno	1	0	0	0	0	0	0
Bingo/Keno	1	1	0	1	1	1	1
Subtotal	49	47	49	49	44	43	40
Total	120	108	106	100	93	98	99

Miscellaneous Permits

Live Card Games	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
First Table ($250)	173	162	154	163	196	289	394
Additional Table ($500)	47	38	33	36	44	70	97
Total	220	200	187	199	240	359	491
Card Tournaments	126	112	125	128	134	237	314
Calcutta Pools	99	95	87	82	88	82	73
Casino Nights	27	20	23	18	24	34	49

Appendix B

Chart 3

Gambling Permit Revenue

Live Bingo and Keno Permit Fee Revenues

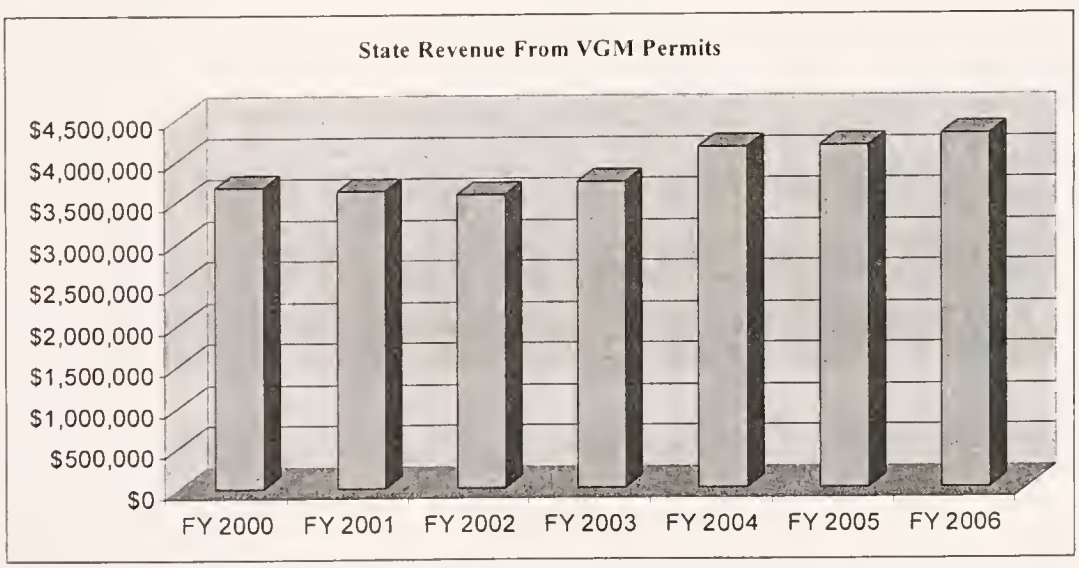
Type of Game	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Bingo	$10,875	$7,500	$7,000	$6,750	$6,750	$7,875	$9,625
Keno	6750	6500	5250	5500	5000	5500	5000
Bingo/Keno	1125	1250	1250	500	500	750	500
Total	$18,750	$15,250	$13,500	$12,750	$12,250	$14,125	$15,125

Live Card Table Permit Fee Revenues

Fees Collected	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Amount Collected	$66,750	$59,250	$55,000	$58,750	$66,500	$107,250	$147,250
Distributed:							
Local Government	$44,750	$38,700	$36,300	$38,850	$41,100	$71,100	$97,500
State	$22,000	$20,550	$18,700	$19,900	$25,400	$36,150	$49,750

Video Gambling Machine Permit Fee Revenues

Fees Collected	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Amount Collected	$3,662,600	$3,624,150	$3,573,750	$3,733,050	$4,146,437	$4,161,135	$4,291,450
Distributed:							
Local Government	$1,811,300	$1,812,075	$1,786,875	$1,866,525	$1,880,800	$1,891,425	$1,933,000
State	$1,811,300	$1,812,075	$1,786,875	$1,866,525	$2,265,637	$2,269,710	$2,358,450



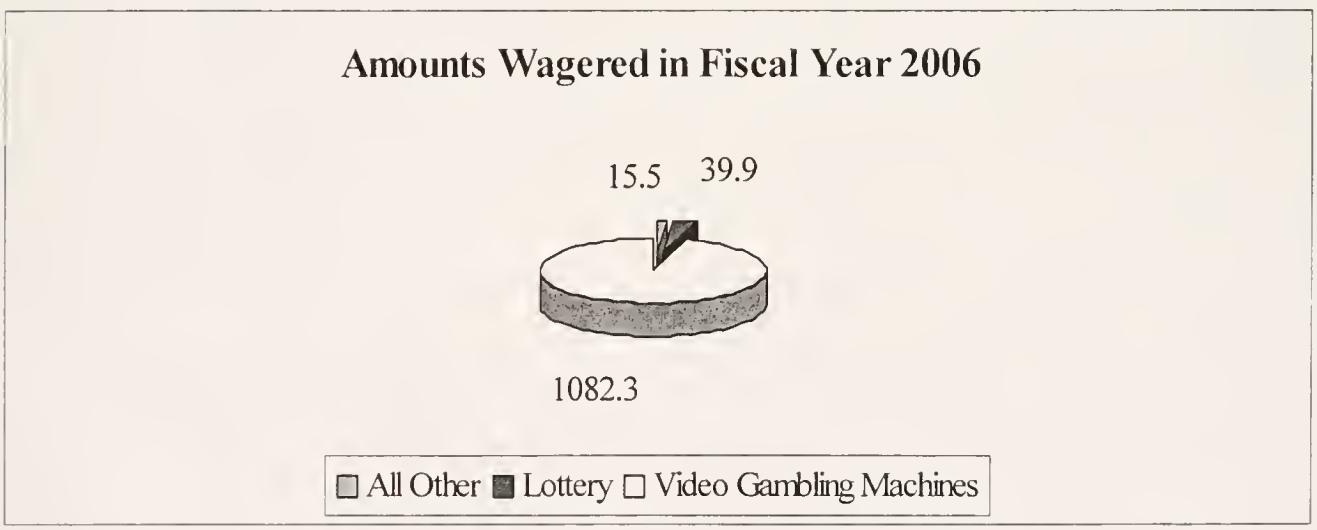
Appendix C
General Gambling Information

Appendix C

Chart 1

Amounts Wagered on Gambling Activities

Fiscal Year	*2002*	*2003*	*2004*	*2005*	*2006*
Live Horse Racing	$1.8	$1.9	$1.9	$1.9	$1.9
Simulcast Racing	7.8	9.5	7.9	7.3	7.0
Commercial Live Keno	3.8	3.5	3.9	3.3	3.1
Commercial Live Bingo	6.3	5.2	6.4	3.9	3.5
Lottery	33.6	34.7	36.7	33.8	39.9
Video Gambling Machines	$832.6	$878.6	$953.7	$1,016.8	$1,082.3
Total Amounts Wagered (Millions)	$885.9	$933.4	$1,010.5	$1,067.0	$1,137.7

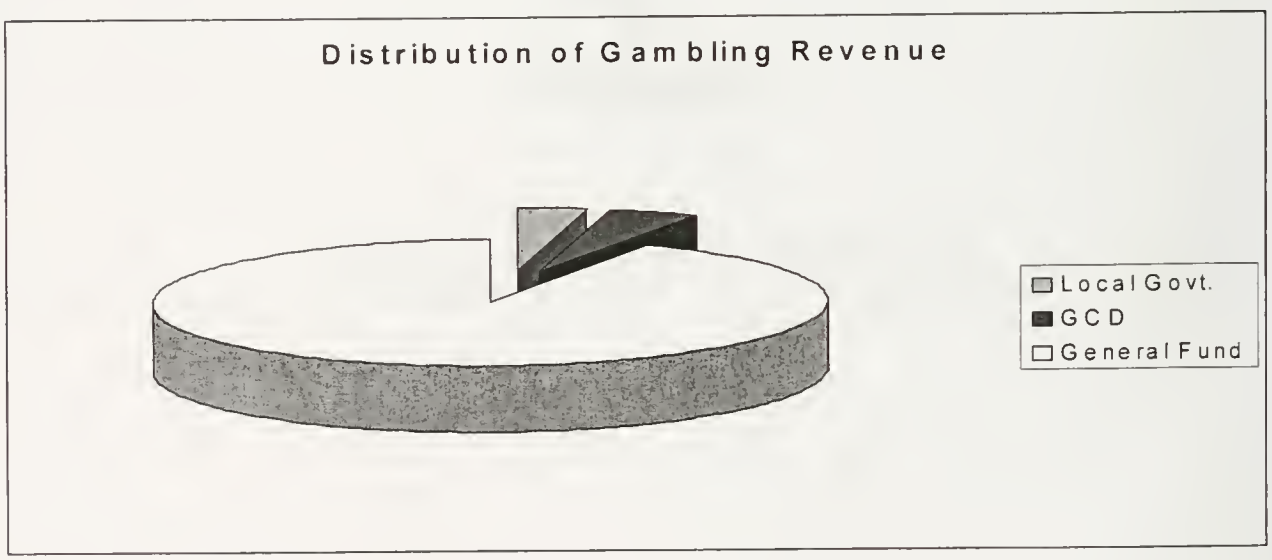


Appendix C

Chart 2

Distribution of Gambling Revenue for Fiscal Year 2006

Revenue Source	Total Collected	Local Govt.	GCD	General Fund
VGM Goss Income Tax	$56,839,855	$0	$0	$56,839,855
Live Bingo & Keno Tax	$17,915	$17,915	$0	$0
Sports Tab Tax	$979	$0	$979	$0
VGM Permit Fees	$4,233,185	$1,926,700	$2,306,485	$0
Fines/Penalties	$120,756	$0	$0	$120,756
Lab Test Fees	$83,509	$0	$83,509	$0
Bingo & Keno Permit Fees	$14,375	$0	$14,375	$0
Card Table Permit Fees	$144,750	$91,650	$53,100	$0
Casino Night Permit Fees	$1,250	$0	$1,250	$0
Antique Slot Dealer	$300	$0	$300	$0
Operator License Fees	$131,878	$0	$131,878	$0
Card Dealer License Fees	$42,230	$0	$42,230	$0
Card Room Contractor Fees	$9,150	$0	$9,150	$0
Card Tournament Fees	$3,140	$0	$3,140	$0
Manufacturer License Fees	$104,878	$0	$104,878	$0
Totals	$61,748,150	$2,036,265	$2,751,274	$56,960,611
Percent of Total	100.00%	3.30%	4.46%	92.25%



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